

Message Text

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PAGE 01 STATE 144599

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FOLLOWING REPEAT STATE 144599 SENT BRASILIA INFO RIO DE JANEIRO
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QUOTE

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E.O. 11652: N/A

TAGS:EMIN, ETRD, BR, US, GW

SUBJECT: POSSIBLE BRAZILIAN EXPORT QUOTAS ON BERYL ORE

REF: BRASILIA 4701 (JUNE 12, 1975)

1. DEPARTMENT NOTES WITH CONCERN APPARENT BRAZILIAN CON-
SIDERATION, PER PARAGRAPH 3 REFTL, OF EXPORT QUOTA RESTRIC-
TIONS ON BERYL ORE, SIMILAR TO QUARTZ LASCA QUOTA ESTABLISH-
ED IN LATE 1974. OUR CONCERN IS TWO-FOLD.

2. FIRST, INTERNATIONAL ACCESS TO TRADED GOODS IS AN
ISSUE THAT WE PREFER TO SEE DISCUSSED IN MTN. OUR VIEWS
SHOULD BE WELL KNOWN TO GOB, BUT YOU MAY REITERATE THEM
AS APPROPRIATE, EXPRESSING OUR CONCERN WITH RESPECT TO
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PAGE 02 STATE 144599

BOTH QUARTZ CRYSTALS AND BERYL, AND CITING OUR SUPPORT

FOR THE BASIC GATT RULE (ARTICLE XI:1) THAT PROHIBITS QUANTITATIVE RESTRICTIONS ON IMPORTS AND EXPORTS, SUBJECT TO CERTAIN EXCEPTIONS NOT RELEVANT TO THESE CASES. (WE BELIEVE THAT NEITHER BERYL ORE NOR QUARTZ CRYSTALS QUALIFY AS MATERIALS IN CRITICAL SHORTAGES.) FURTHER, WE CONSIDER IT A MATTER OF SOME IMPORTANCE THAT QUESTIONS OF INTERNATIONAL ACCESS TO TRADED GOODS BE DEALT WITH IN THE CONTEXT OF MTN NEGOTIATIONS AND NOT BY UNILATERAL ACTION.

3. OUR SECOND CONCERN IS THAT THE EXPORT QUOTA WILL HAVE ADVERSE IMPACT ON US INDUSTRY AND ON BRAZILIAN BERYL ORE EXPORTS. SINCE COMMERCIAL CONSEQUENCES OF THE QUOTA CANNOT BE PREDICTED WITH CERTAINTY, FOLLOWING INFORMATION IS FOR YOUR BACKGROUND, HOWEVER, YOU MAY PASS IT ON TO THE GOB IF YOU BELIEVE DOING SO WOULD BE HELPFUL.

4. BERYLLIUM, THE METAL DERIVED FROM BERYL ORE, HAS MAJOR NUCLEAR, AEROSPACE AND MISSILE APPLICATIONS BECAUSE OF ITS LIGHTNESS, GREAT STRENGTH AND INERT CHARACTER. THE BERYLLIUM INDUSTRY IN THE UNITED STATES CONSISTS OF TWO FIRMS, KAWECKI BERYLCO INDUSTRIES (KBI) AND BRUSH WELLMAN. KBI RELIES ON BRAZIL AND OTHER FOREIGN SOURCES FOR BERYL ORE. BRUSH WELLMAN, ON THE OTHER HAND, PROCESSES BERYLLIUM FROM A BERTRANDITE ORE MINE IN UTAH.

5. SINCE SIGNIFICANT PRODUCTION FROM THE BRUSH WELLMAN BERTRANDITE MINE BEGAN IN 1969, US IMPORTS OF BERYL ORE HAVE DROPPED FROM 4900 TONS IN 1971 TO 1300 TONS IN 1974. ACCORDING TO THE BUREAU OF MINES, THE BRUSH WELLMAN BERTRANDITE MINE IN UTAH AND OTHER DOMESTIC SOURCES OF BERYLLIUM MINERALS ARE CAPABLE AT THE PRESENT TIME OF SUPPLYING ALL FORESEEABLE US NEEDS FOR BERYLLIUM MINERALS. FYI: FOR ITS OWN REASONS--POSSIBLY DUE TO A RELUCTANCE TO BE A MONOPOLY SUPPLIER OF THIS STRATEGIC METAL--BRUSH WELLMAN HAS APPARENTLY REFRAINED FROM STEPPING UP BERTRANDITE PRODUCTION IN ORDER NOT TO DRIVE KBI OUT OF BUSINESS. END FYI.

6. GIVEN THE DEFENSE-RELATED NATURE OF THIS INDUSTRY IN THE UNITED STATES, A BRAZILIAN EXPORT QUOTA ON BERYL LIMITED OFFICIAL USE

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PAGE 03 STATE 144599

ORE COULD INDUCE BRUSH WELLMAN TO INCREASE PROCESSED OUTPUT TO A LEVEL SUFFICIENT TO SUPPLY ALL US NEEDS, OFFSETTING ITS VULNERABILITY TO ATTACK AS A MONOPOLY WITH CLAIMS THAT US DEFENSE REQUIREMENTS MAKE RELIABLE DOMESTIC SUPPLIES AN OVERRIDING NECESSITY.

7. MOREOVER, HIGH CAPITAL COSTS FOR CONSTRUCTION OF A BERYLLIUM PROCESSING INDUSTRY AND PRESENT UNKNOWN WORLD

DEMAND OUTLOOK FOR BERYLLIUM METALS AND ALLOYS, WOULD SUGGEST THAT A FULL-SCALE BRAZILIAN BERYLLIUM INDUSTRY IS A HIGH RISK INVESTMENT.

8. ACTION REQUESTED: (A) PLEASE DETERMINE, IF POSSIBLE WHETHER BRAZILIANS ARE CONSIDERING MINERAL BENEFICIATION FACILITY OR FULL BERYLLIUM METAL, ALLOY AND OXIDE PROCESSING INDUSTRY.

(B) GIVEN IMPORTANT NUCLEAR APPLICATIONS OF BERYLLIUM MATERIALS, DEPARTMENT WOULD APPRECIATE EMBASSY'S ASSESSMENT OF POSSIBLE CONNECTION BETWEEN BRAZILIAN INTEREST IN ESTABLISHING LOCAL BERYLLIUM INDUSTRY AND FRG-BRAZIL AGREEMENTS ON NUCLEAR REACTORS.

(C) IF YOU MAKE APPROACH DISCUSSED PARA 1 ABOVE, REPORT GOB REACTION, IF ANY. KISSINGER UNQUOTE INGERSOLL

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